

Westlaw.

NewsRoom

11/15/04 FORBES 134

Page 1

11/15/04 Forbes 134
2004 WLNK 12862988

Forbes
COPYRIGHT 2004 Forbes, Inc.

November 15, 2004

Volume 174; Issue 10

The Troll Under The Bridge.
Fitch, Stephane
Muller, Joann

The Ambassador Bridge is Detroit's lifeline to Canada. Sept. 11 turned it into a choke point and a security risk. The story of why it hasn't been fixed revolves around one man.

The main border between the U.S. and Canada, our number one trading partner, stretches for 5,500 miles. The most precious fraction is tucked into the middle of the Great Lakes, where the Detroit River bisects the U.S. and Canadian auto industries. Between Detroit and Windsor, Ont., at the river's narrowest point, lies a ribbon of reinforced concrete roadway, 47 feet wide and less than 2 miles long, laid on suspended steel joists: the Ambassador Bridge. At 75 years old the Ambassador is out-of-date, its four lanes too narrow and its approach too steep, but none of the 130 other crossings to Canada is so perfectly placed. For tractor-trailers, the closest bridge is two hours out of the way. They haul \$100 billion of goods across the Ambassador every year--a quarter of the \$400 billion in total trade with Canada; 40% of all truck shipments from the U.S. to points north cross this span.

After 9/11 the Ambassador loomed as an undefended economic umbilical cord to the U.S. Within days hundreds of National Guardsmen, police volunteers and U.S. customs and immigration agents descended on the bridge, forcing trucks to wait in line for up to 12 hours to be searched for any signs of a terror plot. Traffic backed up for 15 miles. Even after terror alert levels fell, the jams have persisted. Daily truck traffic plunged from 10,000 to 9,000 and hasn't climbed back. Security remains tight, and trucks still can wait an hour to cross. Delays at the Ambassador and other crossings into Canada cost \$800 million a month, by one economist's reckoning. If terrorists knocked out the Ambassador, the Michigan and Ontario economies could run losses of \$3 billion a month.

But no government can do much to fix this--not the feds or the Mounties, not the state of Michigan or the province of Ontario. The Ambassador Bridge isn't owned by the U.S. or Canada--it is owned by one recalcitrant man: Manuel (Matty) Moroun. He controls the best monopoly you never heard of.

The Ambassador rakes in an estimated \$60 million a year and turns a hefty profit.

In the 25 years he's owned it, unfettered by much regulatory oversight, he has more than doubled toll rates for trucks and has nearly quadrupled rates for cars; in the 50 years before him, the bridge had never raised truck tolls and had hiked car tolls only once. The Ambassador is a linchpin of a tightly integrated trucking empire. Moroun owns seven trucking companies that use the bridge; a logistics firm; several customs brokerages; and a monopoly on duty-free retail, including a gasoline station at the Detroit end of the bridge and a currency-exchange service. Total revenue exceeds \$1 billion a year.

The Ambassador was privately built in 1929 by a palm reader turned financier, Joseph Bower. It became publicly held when Bower put his company, Detroit International Bridge Co., into bankruptcy in the Depression and issued stock as part of a reorganization. In the late 1970s the sage investor Warren Buffett acquired 25% of the stock, emboldening Moroun to act. In 1979 he used his small trucking company's credit line to buy out Buffett and acquire the rest of the company for a total of \$30 million. Thus it became the only major U.S.-Canada crossing that is privately owned. The bridge's likely worth today: half a billion dollars or more.

But now Moroun, who wouldn't talk for this story, is in the fight of his life. Politicians, auto execs and citizen groups are calling for measures that could threaten his cozy hold on the nation's most critical choke point. Some people want government to buy the bridge outright, some call for new regulatory oversight, and two groups want to bust up the Moroun monopoly entirely. One group proposes a new tunnel; another a second bridge.

"A port authority should run this bridge--it would be answerable to the public. Matty Moroun isn't answerable to anybody but Matty Moroun," says Mary Ann Cuderman, who runs an at-home bakery on the Windsor waterfront. A year ago she helped form a bridge watchdog group. "His sole purpose isn't security--it's his own interest." Moroun's folks counter that they are as concerned about safety as government brass. They spend \$50,000 a week on security and more than \$10 million a year on maintenance.

Moroun has outmaneuvered his foes, so far. "He's very intelligent and very aggressive," says Kenneth M. Davies, a Detroit lawyer who has legally sparred with Moroun. "His avarice and greed are just American capitalism at work. You can't be mad about that."

Matty Moroun is 77 years old, squat, soft-spoken and nearly deaf in his right ear. He guards his interests jealously. He has fought the federal government, the city of Detroit and various private foes so vociferously in court that Davies calls him "a one-man lawyer employment act." One case, against the General Services Administration, has languished in court for 25 years.

Moroun is a relentless opportunist, like his grandfather, an Arab who moved the family from Argentina to Quebec, and then to Windsor, where their home was later razed to make way for the bridge. They settled in Detroit after World War I. Matty was born in Detroit in 1927, an only son with three sisters. As a teenager he worked at his father's gas station, sweeping out buses. He wanted to be a doctor but, after

graduating from Notre Dame in 1949, returned to Detroit to work for his father. "We were almost penniless in '49," Matty Moroun said in court testimony in 2002, "but we managed to come back."

In 1950 his father took control of Central Cartage, a struggling trucking company that owed him back rent. Matty handled the books and whatever else was needed: "I was a dispatcher, flat-tire fixer, changed the oil, fixed the fan belts. There was nothing too good for me," he testified. But Matty shied away from the public part of the job: soliciting new customers. "I wasn't very good at that," he noted. Moroun didn't marry until he was 44. He rarely appears in public and doesn't give press interviews.

Central Cartage grew through acquisitions, expanding into Canada after the U.S. and Canada eliminated customs duties on cross-border shipments of new cars and auto parts. By the 1970s, when Matty took over from his father (who died at age 93 in 1992), it had 900 employees. The problem was heavy congestion on the Ambassador Bridge. Moroun resolved to take control.

By 1977 Buffett had acquired his 25% stake in the bridge for \$20 a share. Moroun, 40 at the time and "a little brash" by his own account, amassed his own 25% stake by the end of 1978 and paid Buffett \$24 a share, later buying the rest. Moroun claimed title to the bridge on July 31, 1979. The \$30 million price was 30% less than the inflation-adjusted cost of building it 50 years earlier.

Moroun promptly found himself in court. Canadian officials, citing a law requiring any new buyer of the bridge to hand over a 50% interest to Canada, went to court to force him to give half up. A decade later the government settled, getting no stake but exacting improvements to the bridge and the Canadian customs plaza. Another legal fight from those first days still simmers, 25 years later, in federal court in Michigan. Moroun filed suit to block the feds from taking control of 3 acres of land he owned near the bridge to expand truck inspection facilities. A jury in that case has ruled that the feds must pay Moroun \$15 million for the parcel, but Matty battles on, insisting the price is too low. Meanwhile, the inspection operations--critical in this post-9/11 era--haven't been expanded as much as needed.

The Ambassador Bridge was an ideal calling card for a small, \$200 million trucking concern. Moroun's company lured customers like General Motors and bought rivals who couldn't keep up. Moroun pushed five into bankruptcy, letting him break costly union contracts. That enraged the International Brotherhood of Teamsters, which filed a federal racketeering lawsuit against Moroun in 1985. (He settled that case in 1988.)

Spanning the Empire

The Ambassador Bridge is a small but critical piece of Matty Moroun's transportation empire, which includes trucking concerns, logistics companies and customs brokerages, as well as real estate, banking and insurance interests. They're all under one umbrella, called CenTra. Here are the largest pieces.

Less-than-truckload shipping (Central Transport)

11/15/04 FORBES 134

Page 4

Revenue: \$400 million

Full-truckload shipping (Mason-Dixon, Universal Am-Can, others)*

Revenue: \$300 million

Freight coordination services (Logistics Insights)

Revenue: \$250 million

Ambassador Bridge

Revenue: \$60 million

Duty-free stores, gas station, other bridge-related income

Revenue: \$40 million

Insurance, banking, customs brokerage

Revenue: unknown

*Doesn't include 40% stake in publicly traded PAM Transportation Services, with 2003 revenue of \$294 million. Sources: CenTra; Forbes estimates.

Moroun even tangled with two of his sisters, who objected to the way he ran the company. They sued him in 1992, seeking more than \$50 million in damages. He settled in 1999, buying their shares in the company.

Then came 9/11. As Moroun and his staff huddled around a TVset that morning in his office in suburban Detroit, they anticipated a border crackdown. Their first concern: ensuring that trucks for GM, Ford and Chrysler--Moroun clients--weren't stranded. Moroun ordered that their trucks be pulled out of line and escorted across the bridge if that's what it took.

"It was a sea change for our whole country," says Moroun's 31-year-old son, Matthew, vice chairman of his father's company. "We looked at security a hell of a lot differently."

Everyone else suddenly held a different view of the Ambassador--as a new security risk. By 10 a.m. the morning of the terrorist attacks, Detroit Mayor Dennis Archer had placed a call to the mayor of Windsor, Michael Hurst. "We talked about points of vulnerability, and we talked about the Ambassador," Hurst says. "We asked, 'What are the likely targets if this thing were going to continue? If you want to hurt us economically?'"

The two mayors wanted to close off some of the traffic coursing between Canada and the U.S., but "we were not in control of the bridge. It was owned by a private guy," says Hurst. So they closed the car tunnel 2 miles upriver for several hours. Today Hurst, no longer Windsor's mayor, works for a group aiming to convert another tunnel, for trains, into a new trucking artery to provide an alternative to the Amba-

sador.

In Detroit, meanwhile, then-Wayne County sheriff Robert Ficano and other officials also fretted about the vulnerability of Moroun's bridge. "Suddenly we saw this economic stranglehold," Ficano says.

The nightmare backups began on Sept. 12. Wait times jumped to 12 hours. The 100 customs and immigration inspectors at the border were overwhelmed, so 40 soldiers from the Michigan Army National Guard arrived, carrying automatic rifles. So did additional inspectors from Detroit's airport and shipping ports. Sheriff Ficano ordered cops from Wayne County to the bridge. Other counties offered their cops. "I deputized a bunch of them," Ficano says. "It was like the Wild West, and I was calling in the posse."

A month later backups at peak times were still running four hours. Before Sept. 11 border agents at the U.S. end of the bridge could process up to 350 trucks in an hour; now they struggled to handle half that. "Before 9/11 the two countries had been working toward less inspection, but now we were going to have more of it, for a long time," says Daniel Stamper, president of the bridge company.

Loads of extra agents were on hand, but they had to share the same six inspection booths in use before the attacks. To rid the bridge of delays would require twice the number of booths. The General Services Administration had commissioned three additional inspection booths, but construction wasn't complete and there were complications: Moroun owned the underlying land, and he had been bickering with the GSA over lease terms. The three new booths opened weeks later.

Then, in November 2001, Moroun startled the GSA and city officials by starting construction, at his own expense, on four more booths--without GSA approval. The city of Detroit sued him, arguing he needed building and zoning permits. Moroun's attorneys insisted local laws didn't apply because the bridge, since it handles cross-border commerce, is a "federal instrumentality."

"You can't have it both ways," says says Eric Gaabo, who prosecuted the city's complaint. "You can't claim you're immune from regulation because you're a federal instrumentality and then, at the same time, tell the federal government to go to hell." But in July 2004 a Michigan state judge declared Moroun's bridge exempt from local law. And though his extra booths were ready in 2003, the GSA refused to let federal agents use them until this summer because of the city spat.

Ambassador executives say they had no choice but to kick-start the government. "When someone says no, we just look for another way to make it happen," says bridge executive Thomas L. (Skip) McMahon. "Do we ruffle feathers? Damn right." Now that Moroun has forced the GSA into accepting this "gift" of four new inspection booths he spent \$2 million to build, he recently persuaded the feds to pay him back. And he and the GSA profess to be on better terms.

Moroun often operates with impunity. Federal rules bar corrosives, explosives, radioactive waste and other toxic materials from crossing the bridge, but Moroun says

the ban doesn't apply to the Ambassador. He gives "authorization letters" to certain truckers to haul some banned contents across his bridge. He won't let state troopers nab trucks on the bridge--they must ticket them upon leaving.

Nor does Moroun let government engineers inspect his bridge. Until recently, he didn't even show U.S. regulators the results of his own third-party inspections. He agreed to do so after Michigan vowed to improve access roads on the U.S. side of the Ambassador.

Fed up with such obstinacy, some say Moroun should lose his monopoly. Six weeks after 9/11 a Canadian venture called the Detroit River Tunnel Partnership announced a plan to convert an existing 100-year-old train tunnel to truck use. Displaced trains could pass through a new tunnel that would be bored downriver. The group, a partnership of the Canadian Pacific Railway and a subsidiary of the Ontario Municipal Employees Retirement System pension fund, hopes to fund the entire \$600 million project with \$170 million in government spending and \$430 million in private financing.

The group is led in the U.S. by a well-liked Michigan pol, Margaret (Marge) Byington, who has lined up the support of more than a dozen leaders in business, trade and government--and a few old enemies of Moroun, such as Teamsters President James P. Hoffa. "We are facing a gridlock crisis at the world's busiest border crossing," Hoffa says. "We must increase capacity across the border."

Tunnel proponents say Detroit could have a new crossing by 2009. Moroun's guys counter that a new crossing isn't needed so soon; U.S. Customs is to blame for the delays, and the Ambassador is at less than 60% of capacity, they argue.

So Matty's men have mounted a counterassault. In November 2002 a bridge employee cofounded a well-financed antitunnel group. In April 2003 Moroun's staff persuaded the head of a small nonprofit home builder in Detroit to come out against the tunnel proposal, in exchange for rights to two small properties near the bridge that the nonprofit wanted to redevelop.

Moroun has also courted U.S. Representative Carolyn Cheeks Kilpatrick, whose district includes the Ambassador Bridge, and her son, Kwame Kilpatrick, now mayor of Detroit. Moroun and his family became the largest contributors to her reelection campaign. This year she delivered a setback to the Byington group, refusing to propose spending \$40 million to build a new truck highway from the mouth of the tunnel to Interstate 75 in Detroit.

Wooing the mayor, Moroun in March of this year offered to turn over a derelict 13-story train station he owns near the mouth of the train tunnel for conversion into a \$130 million city police station. The mayor, the tunnel group says, opposes its effort to buy a mile-long, 80-foot-wide parcel of city-owned land near the tunnel. The group sees a quid pro quo; Kilpatrick insists that he is only worried about the neighborhood.

In August Moroun reintroduced an old proposal to "twin" the Ambassador Bridge to double its capacity, albeit not until 2012. Auto executives welcome the plan but say

11/15/04 FORBES 134

Page 7

it doesn't quell congestion or security worries. "Double-spanning the bridge is a noble motive," says Edward T. Sprock, Chrysler's director of logistics, "but it doesn't provide redundancy. I really worry about that."

And so the threats to Matty Moroun's monopoly continue to build. Brian Masse, a Windsor representative in Canada's parliament, aims to propose a law that would create a "public border authority" regulating the Ambassador and other crossings into Ontario. It would force disclosure of the bridge's finances and inspection reports and oblige Moroun to coordinate with law enforcement. "After the national emergency we faced," he says, "there has to be a greater good than just making a buck."

----- INDEX REFERENCES -----

COMPANY: GENERAL MOTORS CORP; DAIMLERCHRYSLER AG; CANADIAN PACIFIC RAILWAY LTD

NEWS SUBJECT: (Legal (1LE33); International Terrorism (1IN37); Antitrust Regulatory (1AN52); Government (1GO80); Police (1PO98); Monopolies (1MO68); Business Lawsuits & Settlements (1BU19); Business Litigation (1BU04); Judicial (1JU36); Economics & Trade (1EC26); Sept 11th Aftermath (1SE05))

INDUSTRY: (Freight Transportation (1FR88); Hazardous Waste (1HA81); Environmental Regulatory (1EN91); Transportation Regulatory (1TR42); Passenger Transportation (1PA35); Transportation (1TR48); Freight Transportation Regulatory (1FR22); Traffic (1TR52))

REGION: (Americas (1AM92); North America (1NO39); USA (1US73); Michigan (1MI45); Canada (1CA33))

Language: EN

OTHER INDEXING: (AMBASSADOR; AMBASSADOR BRIDGE; CANADIAN PACIFIC RAILWAY; CENTRA; CHRYSLER; FORBES; GENERAL MOTORS; GENERAL SERVICES ADMINISTRATION; GSA; INTERNATIONAL BRIDGE CO; MICHIGAN; MICHIGAN ARMY NATIONAL GUARD; ONTARIO MUNICIPAL EMPLOYEES; SOURCES: CENTRA; TRANSPORTATION SERVICES; TROLL) (Bower; Brian Masse; Buffett; Central; Central Cartage; Cheeks Kilpatrick; Damn; Daniel Stamper; Davies; Dennis Archer; Displaced; Edward T. Sprock; Eric Gaabo; Ficano; Freight; Full; Hoffa; Hurst; Iwasn; James P. Hoffa; Joseph Bower; Kenneth M. Davies; Kilpatrick; Kwame Kilpatrick; Margaret; Mary Ann Cuderman; Matthew; Matty; Matty Moroun; Michael Hurst; Moroun; Ontario; Politicians; Robert Ficano; Skip; Thomas L.; War I. Matty; Warren Buffett) (Bridges (Safety and security measures); Ambassador Bridge (Safety and security measures)) (General; Trade) (Business (BUSN); Business, general (BUS)) (General services (260)) (United States (1USA))

Word Count: 3494

11/15/04 FORBES 134

END OF DOCUMENT